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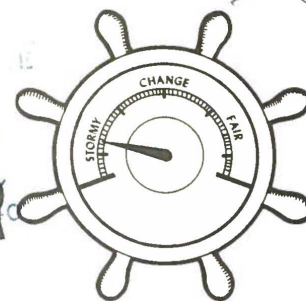
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EDITORS:

LCDR R. J. BRANCO, SMC #1585

LT L. W. WHEAT, SMC #1902

The BAROMETER is a student newspaper for the exchange of ideas and information concerning the development and improvement of the professional environment at the Naval Postgraduate School.

"Nor is there any problem of attraction or retention of colonels or generals, although the retention of the younger, more employable colonel may become a problem as a result of the denial of flight pay as currently required by law. What I am saying is that the price we will pay for breaking faith with our senior officers will have to be paid in the future--both ethically and financially. Ethically, our Armed Forces are receiving the impression that their conditions of employment can be altered at the pleasure of their employers for the sole benefit of the employer. This will give pause to many who may be thinking of making a career of the Armed Forces, and in an all-volunteer environment. Such a belief will be counterproductive. Financially, the current policy is unsound, for if the morale effects I have mention come to pass, we eventually will have to pay much more for the volunteers we do attract and retain than we would have if the "breach of faith" issue had not arisen."

Lt. General Leo E. Benade, USA, Deputy Assistant Secretary of Defense (Military Personnel Policy) COMMANDER'S DIGEST OCTOBER 11, 1973

FEATURE: FLIGHT PAY WHY IT MUST BE RESTRUCTURED

"The purpose of H.R. 8593 is to restructure the present flight pay systems to make it more effective in today's environment. The legislation also responds to Congressional criticism of the existing flight pay systems as expressed in section 715 of the Department of Defense Appropriation Act, 1973 (Public Law 92-570). At the same time, we seek to be fair and equitable to the aviation crewmembers affected adversely by this proposed legislation.

The term "flight Pay" is a colloquialism. It does not appear in Title 37, United States Code, which authorizes the pay. Section 301 of Title 37, United States Code, carries the heading, "Incentive Pay: hazardous duty," and subsection (a) adds: "Subject to regulations prescribed by the President, a member of a Uniformed Service who is entitled to basic pay is also entitled to incentive pay, in the amount set forth in subsection (b) or (c) of this section, for the performance of hazardous duty required by orders." For purposes of this subsection, "hazardous duty" means duty----

(1) as a crewmember, as determined by the Secretary concerned, involving frequent and regular participation in aerial flight...."

This is the total description of flight pay, although the law also specifically recognizes that flight pay, like the other incentive pay for hazardous duty, is not intended to be a recompense for wartime hazards, in stating, "In time of war, the President may suspend the payment of incentive pay for any hazardous duty..."

The term "flight pay" or "flying pay" dates back to World War I, and it has been used as a nickname or colloquialism to described the pay ever since, notwithstanding significant changes in the law. This continuity in language obscures the fundamental redefinition of the purpose of the pay that occurred in 1949. A more accurate term for the pay today would be "aviation career incentive pay", but "flight pay" has proved to be too strong an expression to dislodge, and section 715 of the Department of Defense Appropriation Act, 1973, refers to it as such, as indeed have all Defense Appropriation Acts since FY 1952. The term "flying pay" first appeared in the law in 1926.

BACKGROUND OF CURRENT SYSTEM

The evolution of the existing system of aviation pay dates back to the Hook Commission in 1948 and the Career Compensation Act of 1949 which implemented the Hook recommendations. The salient Hook Commission recommendations were these:

*The Hook Commission rejected the purpose of aviation pay as being compensation for hazard. This "recompense for hazard" purpose was the lawful reason for aviation pay from 1913 to 1949. In its place, the Hook Commission substituted the purpose of the pay as an "incentive to engage and remain in hazardous occupations;" that is, as an incentive to attract qualified volunteers into an aviation career, which was recognized as being more hazardous than most in peacetime, and to keep adequate numbers of them there after completion of the first obligated tour of duty. This purpose, as expressed by the Hook Commission, remains unchanged today. In short, the incentive aspects predominated in the purpose of the pay--- the hazard aspects were recognized but subsumed in the reasoning to attract and retain volunteers for an aviation career.

*The Hook Commission structured incentive pay rates as a proportion of basic pay, with the highest percentages, for junior officers and the lowest for general officers. In dollar amounts, the highest rate was offered to colonels and Navy captains. This was consistent with the tactical experience of that time, meaning World War II experience, when colonels were the responsible commanders of aviation formations in air combat. The flag rates of the Hook Commission represented a major change from the previous practice of computing flight pay as 50 per cent of basic pay.

*The Hook Commission flight pay rates were based on total military service, rather than aviation service. This was consistent with the proportion of basic pay concept on which the amounts were based. During World War II and immediately thereafter, efforts were made to attract officers of various grades into aviation service, and so there was some justification for the argument that it required a higher incentive to attract higher-ranking officers into aviation than it did young cadets.

These key points were enacted into law by the Career Compensation Act of 1949.

Only one rate change to the Hook structure has occurred since 1949. That change was the Career Incentive Act of 1955, which increased flight and submarine pay rates to their present levels and added longevity steps to the pay structure. The immediate cause of the 1955 legislation was poor pilot retention, high personnel turnover, and increased training costs.

The Hook Commission flat rates included no provisions for longevity increases. The Career Incentive Act of 1955 provided such longevity increases. The reasoning for this change was that since flight pay was determined on the basis of the proportions of basic pay per grade, the same logic should extend to longevity steps. No structural alterations in the Hook system were made, however. The flight pay rate table in the Career Incentive Act of 1955 is the one currently in effect.

In the 1955 Act, the Congress reaffirmed the purpose of flight pay as stated by the Hook Commission, and again specifically rejected the concept that flight pay was awarded as a recompense for hazard. Committee Counsel John R. Blandford summed up the issue with his comment: "You can't pay a man enough for being killed," and indicated that aviation pay was awarded for supply and demand reasons with respect to attraction and retention. *It was no way linked to hazard exposure.*

With respect to the eligibility for flight pay through performance, the situation became complicated at this very time. The 1949 and 1955 laws established eligibility for aviation pay by the "frequent and regular participation in aerial flight" clause; this in turn was defined by Executive Order 10152 of 1950 - - superseded by Executive Order 11157 of 1964 - as meaning four hours of flight per month. This four-hour-per-month standard dates back to 1922. In brief, this ruling meant that all aviation crewmembers had to fly for pay.

This eligibility determination was made during the Korean War. After the war, requirements for aviation crewmembers were reduced significantly because of force cutbacks, while the inventory of crewmembers remained high, because there is about a two-year leadtime for pilots. It is easier to change requirements than to adjust the inventory. Moreover, the advent of jet aircraft in significant numbers made the satisfaction of flying performance requirements by this large inventory more costly than it had been before the war. Congress, as a result, enacted section 628 of Public Law 83-179 (Department of Defense Appropriation Act, 1954), which authorized the payment of aviation career incentive pay to rated officers with more than 20 years of rated service, or in remote duty assignments, while excusing them from fulfilling the flying performance requirement minima. This policy was permissive rather than mandatory. More importantly, it inaugurated the so-called "excusal" policy that is in effect to this day. The purpose of the Congressional action was to reduce the operations and maintenance costs of aircraft. These costs were many times the value of flight pay involved.

Congress enacted a similar proposal each year until 1962, when section 614 of Public Law 87-144 (Department of Defense Appropriation Act, 1962) expanded excusal authority to officers with 15 years of rated service or more. A similar provision was enacted each year until 1972, when section 715 of Public Law 92-204 (Department of Defense Appropriation Act, 1972) made mandatory the excusal and prohibition from flying of all aviation crewmembers not assigned to duties requiring the maintenance of basic flying skills, except those needed to perform proficiency flying "in anticipation of assignment to combat operations." In addition, flyers who were students in courses longer than 90 days were also excused and prohibited from flying. This legislation significantly increased the number of excused flyers, but specifically protected their aviation career incentive pay entitlement.

Finally, section 715 of Public Law 92-570 (Department of Defense Appropriation Act, 1973) maintained all of the mandatory excusal provisions of the 1972 law and then added a clause prohibiting, after May 31, 1973, the payment of flight pay to officers of the grade O-6 and above who were assigned to duties not requiring the maintenance of basic flying skills. Thus, this provision continued to prohibit these officers from flying and denied them aviation career incentive pay entitlement as well. The intent of the Congress apparently was to deny flight pay to those senior officers who were not actually flying operationally and thereby to require the Department of Defense to address the flight pay problem. In the opinion of the Department of Defense, the Congressional action, although certainly not so intended, resulted in lowered morale in the aviation force and increased manpower losses as a side effect. I will discuss these unintended effects later, but the enactment of this 1973 legislation did cause the Department of Defense to again review aviation career incentive pay and develop the legislative proposal which appears before you as H.R. 8593.

This, in brief, covers to evolution of how we find ourselves in our present situation. Flight pay was restructured in 1949 on a fundamentally sound set of principles that remain in effect today. However, the "frequent and regular participation" clause was eroded over a period of 19 years in the interests of economy, and this has led to recent adverse publicity reflecting unfairly on the flyers involved.

EXISTING AVIATION PAY SYSTEM

The existing system of aviation pay has both strengths and weaknesses. Its primary strength is that it has proved in the past to be very effective in attracting volunteers into an aviation career. No doubt the fact that the volunteers skill for later life and the initial excitement in flying has had something to do with the adequate volunteering. But a number of weaknesses are readily apparent as well.

The retention of junior aviation crewmembers has been chronically inadequate and is expected to remain inadequate in the all-volunteer environment in the future.

For example, in 1973, the Navy required a pilot retention rate of 52 percent at the end of obligated service but attained only 43 percent. Even this was better than the 26 percent in 1970, 27 percent in 1971, and 34 percent in 1972. Similarly, the Air Force needed a 58 percent retention rate in 1970 but got only 45 percent, while in 1971 needed 61 percent retention and attained 51 percent. Currently, the Air Force requires 60 percent retention but is getting 57 percent -- still short, but a considerable improvement over previous years.

The aviation career incentive pay rates have the effect of a modified tontine, in that junior officers, who necessarily perform most of the operational flying and whose flying duties are most concentrated at that period of their careers, are paid the lower amounts of aviation pay, while the senior grade officers, who perform less of the operational flying and whose operations flying assignments are more dispersed, are paid the highest amounts of aviation pay. To illustrate, a due-course officer who entered aviation duties immediately upon entering service and who remained in aviation duties throughout, would receive 45 percent of his lifetime pay during his first sixteen years of service, but would receive 55 percent of his lifetime flight pay during his last 14 years of service. This distribution has the effect of a modified tontine, such as that deplored by the Hook Commission in regard to the 50 percent of basic pay system, in that it rewards the survivors still remaining in service for duties performed much earlier in their careers, while short-changing those members who performed substantially similar duties but who have since dropped out of the aviation force for one reason or another.

The lower rates of pay in the earlier years are insufficient to meet the competition of civilian alternatives at the end of the first obligated tour of duty, while the higher rates of pay in the senior years are probably more than adequate to retain aviation officers in the senior years. Consequently, the incentive rate has ensured the high retention of lieutenant colonels and colonels but fails to provide for adequate retention of lieutenants and captains.

The existing aviation career incentive pay system makes the tacit assumption that, at least through the field grades, it is almost equally difficult to attract and retain officers at each grade and longevity step. This may have been a valid consideration during World War II, and up to the Korean War, but experience since has shown that this is not true today - that, in fact, the major retention problem occurs in the years after the completion of the first obligated tour of duty and not continuously throughout the career.

The cumulative effect of these deficiencies has been to increase training costs because chronically poor retention and thereby induce a less than optimum allocation of budgetary resources. I should indicate that our training costs to produce combat-ready military pilots range from \$100,000 to \$500,000 per man. Either of these costs exceeds the current total lifetime cost of aviation career incentive pay, which is about \$75,000. Clearly, then, if an improvement in pilot retention through aviation career incentive pay can be made, it is achieved at a cost that is less than the training cost avoided. Moreover, a more rational aviation pay structure would correct the structural deficiencies in the current aviation pay system and would thereby be more equitable to the force and thereby should have favorable morale effects. This coupled with the recent Congressional criticism of excused senior flyers and the denial of aviation pay to them, makes it evident that restructuring of the aviation pay system is urgently needed.

The proposed Department of Defense bill to restructure the aviation pay system (H.R. 8593) addresses the deficiencies I have just indicated.

First, the bill is predicated on the premise that aviation career incentive pay should be awarded for years of aviation service and without regard to grade and longevity as is the case today. This is a more cost-effective method than today's system. While it is true that most aviations enter an aviation career from the beginning of their entry into service, a minority does not. Those who do not are afforded the advantage of higher incentive pay rates, while their period of obligated service incurred as a result of aviation training is identical with that of the more junior officers. It is the opinion of the Department of Defense that all new aviations should be offered the same rate of incentive pay beginning with their aviation service independent of their grade and longevity. This is reflected in H.R. 8593. Consistent with the statement that attraction of volunteers into aviation has been adequate in the past and is projected to remain adequate in an all-volunteer environment, the rates offered are substantially similar to the ones in effect today.

Second, H.R. 8593 offers to the volunteer at the completion of his first tour of obligated aviation service the highest incentive rates. These higher rates, predicated as before on aviation service, have the purpose of improving retention from the seventh through the eighteenth years, unless the 18th year of active officer service comes first. Let me explain that, because at first glance this procedure may appear somewhat complicated. The major economic alternative to military aviators lies in the civil aviation industry, notably the air lines. The air lines usually do not hire new pilots over the age of 35, and therefore military aviators over age 35 are not competitive for the higher paying airline pilot jobs. But for the younger flyer, the airlines are a viable alternative, and in fact over 75 percent of all airline pilots are ex-military pilots. Therefore, it is reasonable for the Department of Defense to try to reduce the financial discrepancy between what the airlines offer and what the Services offer in order to improve our retention of these younger, expensively trained pilots during this critical point in their careers.

Similarly, the confluence of factors such as lesser flying needs, unemployability by the aviation competition, and higher retention of the officers in questions, makes it unnecessary to award high flight pay rates to rated officers in the later years. Hence, the decision to concentrate the high rates in the poor retention, flight intensive years, computed on the basis of aviation service, and reduced on the 18th year of aviation or active officer service, whichever comes first.

The reason for using active officer service as a criterion for termination of the high rates is that it is a proxy for age. Advanced age implies lack of employability by the airlines, lessened flying with advanced grade, and very high retention of the individuals concerned, some of whom are precisely those who began their aviation careers later than others. It would be an imprudent use of resources to pay the highest rates of aviation career incentive pay to those whose age and grade fall outside of the most acute areas of attraction and retention of aviation crewmembers, as well as being inequitable to those who began their aviation careers early. It is our hope that any tontine effect would be obviated by such a structure.

Third, our aviation pay rates should lessen the discrepancy between the income of military aviation and civil aviation during the critical retention period of a military aviator. We do not and should not attempt to claim that it will equal, even for the limited time period of the highest rates of aviation pay, the comparable salaries of the airlines for the first twelve years. All that we can claim is that the increased flight pay rates will narrow the existing gap, make continuation in military service more attractive, and result in cost effective retention improvements. I cannot guarantee that these proposed rates will,

in fact, achieve the desired retention goals, but we believe they will. Only experience will tell. A number of other measures are being taken to improve the general attractiveness of the All-Volunteer Force, and the retention effect of these together with improved flight pay might prove sufficient. However, I am aware that the *Study of Flight Pay (Crewmember) and Submarine Duty Pay* of the 1971 Quadrennial Review of Military Compensation did recommend higher monthly rates to achieve the retention desired, and I would be less than frank if I did not say that the rates proposed by H.R. 8593 were affected by fiscal realities. The budgetary constraints this year have been very severe. After a reasonable period of experience, should retention still not be adequate, it might be necessary for the Department of Defense to submit to the Congress further corrective legislative proposals.

Fourth, the Defense proposal terminates aviation pay for all commissioned members after 25 years of active officer service. The reasoning for this proposal is that very few rated officers of the length of service should be assigned to operational flying positions; that is, requirements for officers of this length of service in operational flying duties should be very low. Moreover, Congressional criticism of the award of aviation pay to senior aviators--and generals and flag officers in particular--would be recognized by this clause, which would remove virtually all generals and senior colonels from entitlement to flight pay, regardless of their duty assignments. We recognize that termination of aviation career incentive pay for the senior officer who continues to fly may be considered by some to be an inequity. We believe, however, that taken from the perspective that career earnings have already been paid, performance of the duty without pay is more desirable than continuing criticism that calls into question the integrity of the entire structure. Moreover, incentives other than pay will operate to attract senior officers to the few operational flying positions open to them.

Much of what I have said about retention deficiencies and shortages is predicated on established requirements. Simply stated, requirements are a reflection of what the Department of Defense might be called upon to do with its aviation forces in the immediate future. As such, requirements relate to missions, both strategic and general purpose. The manpower for the strategic forces has to be in being and at full strength at all times. The manpower for the general purpose forces does not have to be fully manned at all times, although it must be available to meet increased activity levels that occur with onset of limited warfare. The time frame of limited warfare is counted in months rather than days, and consequently reinforcements can be provided by reassigning trained active duty personnel and activating Reserve units as well. Thus, the convergence of both major missions determines for us the requirement for aviation forces. National decisions, with respect to how much we should be prepared to undertake, determine the magnitude of requirements.

From this, it is evident that there necessarily must be on hand a greater number of pilots than cockpit seats. Even in peacetime it takes a crew-ratior greater than 1.2 pilots for each unit aircraft to get full utilization of our equipment. Wartime needs are in excess of peacetime needs because combat losses of pilots must be replaced and new pilots must be trained. Pilots not in operational flying billets must be available to meet the initial surge requirements in all of these areas. For these reasons, and because it takes about two years to produce a fully combat-ready pilot, the Department has always had and will need in the future a greater number of pilots than those required in operational cockpit seats or for the supervision and direction of air operations.

Now let's examine H.R. 8593 in its character as a career incentive pay. The Department of Defense recognizes that authorizing payment of aviation career incentive pay even when the individual is assigned to a non-operational flying position represents a difference from the other incentive pays for hazardous duty. This difference is considered necessary for a number of reasons. First, the necessity to counteract the effects of the economy dictates a certain amount of extra compensation over a given period of years. To not offer these rates continuously would require far higher rates for periods of cockpit assignment, and even the high rates do not offset the uncertainty in the minds of some and the actual loss of pay for others that produces increased losses.

Second, even higher rates for periods of aviation assignment would not prove satisfactory, because such rates are predicated on constant and stable requirements, and all of our experience shows that stable requirements are not likely to obtain in the future.

Finally, the training investment in officer aviation personnel is of such a magnitude as to put it into a different scale of value from parachute, demolition, carrier flight deck training, and the like. In other words, we can afford poor retention less in aviation than in almost any other special skill community.

In the enlisted aviation community, we have experienced neither an attraction or retention problem, nor are training costs of the magnitude of those for officer personnel. Moreover, there is no aviation career for the great majority of enlisted personnel. Thus, it seems unnecessary to increase costs by altering the method under which enlisted personnel are entitled to pay at this time.

For these reasons, the Department of Defense recommends the continuous pay approach rather than an "on-again, off-again" system with higher rates, or even a two-phase system which pays more for cockpit assignments than for other jobs where the needs of the service might place an aviator.

CONSIDERATION OF EQUITY: THE SENIOR OFFICER

After reviewing the various criticisms made of the existing aviation pay system over a number of years, it seems clear that nearly all center on the senior aviator. The various objections to awarding aviation pay to those not occupying operational flying positions, the objections to awarding hazardous duty pay to those who are less exposed to hazard than others, and the objectives to awarding an incentive pay to retain where there is no retention problem, are all directed mainly at senior aviation officers. Indeed, the issue of senior officers has been virtually the only major Congressional criticism of the existing aviation pay system. No one really argues about the desirability of improving pay rates for junior aviation officers, or for paying for aviation service rather than total military service. The criticism always focuses on the senior aviation officer.

This officer--typically an aviation colonel or Navy captain--came into service at about the time the Hook Commission and the Career Compensation Act of 1949 established the modern compensation system. He was led to believe that, if he maintained his physical and professional qualifications, he would receive the additional incentive pay for aviation duty throughout his career but that the highest rates would come late in his career. At that time, there was no prohibition against proficiency flying, so that he knew that, if he were assigned to a staff job or to an advanced school, he could still maintain his minimum flight qualifications. He realized that he would receive relatively low rates of aviation pay in his junior years, but that, if he stuck it out and met all of the other qualifications, he would receive the higher rates of pay in his senior years. Regardless of his own feelings on the subject, he performed his end of the bargain and expected his Government to live up to its end as well. Now, as he approaches the time when the promised high rates of aviation pay he agreed to are supposed to be forthcoming, he finds that the Congress first denies him the right to maintain his flying qualifications through proficiency flying and then prohibits him from receiving his higher rates of aviation pay on the grounds that he isn't flying. It is understandable that he feels that the Government reneged on its end of a bargain, and he deeply resents it.

This is the kind of argument I have been hearing almost daily since September 1972. I can't recall an issue that he provoked so much emotion and resentment in recent years. I can only plead for understanding of the plight of this officer. He has fought in two or even three wars, popular or otherwise, he has pulled his share of the load through good times and bad, and now he believes that he has not been treated fairly. I am aware of the fact that such feelings are being expressed honestly to junior officers and are bound to have an effect on decisions to make military service a career. We have some indications of this effect already. It is the belief, whether right or wrong, that the Government has exhibited bad faith that hurts them, even more than the lost income.

Now, I have been supporting a proposed bill that would change the existing system of incentive pay for aviation crewmembers significantly--some might say drastically. It, too, would be less beneficial to the senior officer than the existing system, and it would pay the high rates of pay to those junior officers who agreed to stay in the military service. I do not defend the existing aviation pay system because I think it has features that are indefensible in today's environment. But I do strongly advocate a measure of equity for senior officers. They do not deserve an abrupt termination of aviation pay after a career of faithful service with the understanding that they would receive the higher rates if they remained in service. A fairer approach would be to phase out such pay for the officers affected as equitably as possible. The proposed three-year transition period in H.R. 8593, while perhaps not a perfect instrument, at least provides ample notice to the individual to adjust his financial affairs and will cover the majority of officers adversely affected by H.R. 8593 through their current duty assignment. In addition, we are proposing an amendment that would restore the pay denied to senior aviation officers since May 31, 1973. In this way the Government could meet its commitments in good faith.

I make this argument solely on the basis of equity. Economics has nothing to do with it; in fact, it would be cheaper for the Congress to do what it has done through section 715, if immediate cost savings were the only consideration. Nor is there any problem of attraction or retention of colonels or generals, although the retention of the younger, more employable colonel may become a problem as a result of the denial of flight pay as currently required by law. What I am saying is that the price we will pay for breaking faith with our senior officers will have to be paid in the future--both ethically and financially. Ethically, our Armed Forces are receiving the impression that their conditions of employment can be altered at the pleasure of their employers for the sole benefit of the employer. This will give pause to many who may be thinking of making a career of the Armed Forces, and in an all-volunteer environment. Such a belief will be counterproductive. Financially, the current policy is unsound, for if the morale effects I have mentioned come to pass, we eventually

will have to pay much more for the volunteers we do attract and retain than we would have if the "breach of faith" issue had not arisen. In short, we believe that fair treatment of the senior career officer will pay for itself many times over in the years to come.

CONCLUSION

The Department of Defense, with the full cooperation of the separate Services, has done its best to develop a proposal that would respond to the desires of the Congress, be fair to the American taxpayer and, to the extent possible, be equitable to the man in uniform. The product of that effort is in the form of H.R. 8593. It is a bill that we believe preserves the best of the aviation pay systems of the past and corrects the major deficiencies in the current system in order to meet the challenges of the all-volunteer environment. I believe that this bill will produce the kind of aviation force needed for our national security at an acceptable cost to the American taxpayer.

The Department of Defense strongly urges the Congress to approve and enact H.R. 8593. It is urgently needed now and for the future.

* * * * *

This is a condensation of General Benade's policy statement before a House Armed Services Sub-committee to explain H.R. 8593, a Defense Department sponsore bill.

(Article by Lt. General Leo E. Benade, USA, COMMANDER'S DIGEST OCTOBER 11, 1973)